

Q4

Fourth quarter 2016
(Unaudited)

Skandiabanken Boligkreditt AS

Covered bonds outstanding

NOK 16.3 bn

Cover pool

NOK 19.4 bn

Average LTV

49.2 %

skandia : banken
Boligkreditt

Key figures

| In NOK thousand | Reference | 2016 | 05.10.15 - 31.12.15 |
|---|-----------|----------------|------------------------|
| Summary of income statement | | | |
| Net interest income | | 121 141 | 31 183 |
| Net other income | | 420 | 0 |
| Total income | | 121 561 | 31 183 |
| Other operating expenses | | -8 649 | -2 044 |
| Operating profit before loan losses | | 112 912 | 29 139 |
| Loan losses | | -176 | -1 272 |
| Profit before tax | | 112 736 | 27 867 |
| Tax expense | | -27 145 | -7 524 |
| Net profit | | 85 591 | 20 343 |
| Balance sheet figures (in million NOK) | | | |
| Total loan volume | | 19 373 | 14 986 |
| Covered bonds issued (nominal value) | | 16 300 | 12 685 |
| Covered bonds issued (carried value) | | 16 262 | 12 673 |
| Total assets, end of period | | 19 479 | 15 492 |
| Losses and defaults | | | |
| Total loan loss (%) | 1 | 0.001 % | 0.037 % |
| Solvency | | | |
| Common equity Tier 1 ratio | 2 | 14.2% | 16.3% |
| Tier 1 capital ratio | | 16.0% | 16.3% |
| Total capital ratio | | 18.5% | 16.3% |
| Leverage ratio | | 5.8% | 5.9% |
| Other | | | |
| Loan to value | | 49.2% | 53.6% |
| Over-collateralisation (OC), (nominal) | | 19.0% | 21.8% |

References

1) Annualised loan losses as a percentage of average loan volume in the period.

2) Including profit for the period

Fourth Quarter Results

Skandiabanken Boligkreditt AS had a net profit of NOK 18.6 million in the fourth quarter, which is slightly down from the third quarter of 2016.

At the end of the quarter, net customer loans were NOK 19.4 billion, up from NOK 18.2 billion at the end of the third quarter. Outstanding covered bonds were NOK 16.3 (16.2) billion. The average loan to value (LTV) was 49.2 per cent (48.7).

Skandiabanken Boligkreditt AS ("Skandiabanken Boligkreditt" or "the company") was established in 2015 to be used as a vehicle to fund the Skandiabanken group by issuing covered bonds based on residential mortgages. The company's offices are located in Bergen, Norway.

All comparable figures refer to the previous quarter.

Important events during the quarter

Norwegian short-term money market rates increased in the quarter, while Norges Bank kept its key policy rate stable at 0.5 per cent at both the October and December meeting. Skandiabanken Boligkreditt kept its lending rate stable in the quarter.

The company issued NOK 1.4 billion in covered bonds under the loan agreement with 2021 maturity. Covered bonds under the loan agreement now has an outstanding balance of NOK 2.3 billion, and are thus eligible as a Level 2 asset in LCR.

Operating income

Operating income was NOK 26.6 million, compared to NOK 31.3 million in the previous quarter. Net interest income decreased by NOK 4.6 million to 27.2 million. Net other income was NOK -0.5 million related to a net loss on financial instruments.

Operating expenses

Operating expenses were NOK 2.5 (1.9) million in the quarter and consisted of administrative expenses related to the company's hire of management and administrative resources from Skandiabanken ASA.

Impairments and losses

Provisions increased NOK 0.1 million in the quarter, compared to a decrease of NOK 0.2 million in the third quarter.

At the end of the quarter, total write-downs were NOK 1.4 (1.4) million.

Taxes

The calculated income tax expense was NOK 5.5 (6.9) million, which corresponds to an effective tax rate of 22.8 (23.5) per cent.

Loans to customers

Loans to customers increased to NOK 19.4 billion, representing a net increase of NOK 1.2 billion compared with the previous quarter.

The increase resulted from the acquisition of NOK 2.9 billion in residential mortgages from Skandiabanken ASA, and ordinary repayments from customers in the period.

Comments on results for the full year 2016

Skandiabanken Boligkreditt had operational income of NOK 121.6 million in 2016. Net interest income was NOK 121.1 million. Net other income was NOK 0.4 million and related to a net gain on financial instruments.

Operating expenses were NOK 8.6 million and consisted mainly of administrative expenses.

Loan losses were NOK 0.2 million, corresponding to a loan-loss ratio of 0.0 per cent.

Capitalisation, liquidity and financial position

Skandiabanken Boligkreditt had total booked equity of NOK 1.1 billion as of 31 December 2016, equivalent to a common equity Tier 1 capital ratio of 14.2 per cent. At quarter end the Tier 1 capital ratio was 16.0 per cent and the total capital ratio 18.5 per cent.

Skandiabanken Boligkreditt had NOK 16.3 (16.2) billion in outstanding debt issued as covered bonds as of 31 December 2016. A total of NOK 1.4 billion in covered bonds were issued under existing agreements during the quarter. Securities totalling NOK 1.2 billion were redeemed during the quarter.

At quarter end, Skandiabanken Boligkreditt had total liquid assets of NOK 0.1 (1.5) billion. The liquidity coverage ratio (LCR) was 610 per cent, significantly above the regulatory minimum.

Covered bonds issued by Skandiabanken Boligkreditt have been assigned the highest rating from Moody's Investors Service (Aaa).

Subsequent events

The Annual General Meeting on 1 February 2017 authorised the Board of Directors to increase the share capital in Skandiabanken Boligkreditt AS. The share capital was increased with NOK 240 120 000 from NOK 60 030 000 to NOK 300 150 000 by increasing the nominal value from NOK 4 to NOK 5 per share. The share capital increase is subject to consent from the Financial Supervisory Authority of Norway.

Outlook

Macroeconomic development in Norway indicates that economic growth will be somewhat slower than was expected in September 2016. Despite lower expectations growth is still projected to be high enough to start a cyclical upturn.

Low interest rates supported the strong inflation in Norwegian house prices in 2016. Though the new regulation on requirements for new residential mortgage loans has the objective to slow down the growth, Norges Bank still expects Norwegian house prices to increase in 2017.

Unemployment has moved in line with Norges Bank's projections. Both registered unemployment and unemployment measured by the Labour Force Survey (LFS) are at about the same level as at the time of the September Monetary Policy Report, at 3.0 per cent and 4.8 per cent respectively.

The global interest rate level is low, but expectations for a policy rate hike have increased considerably last quarter. Uncertainty in the global

economy has heightened as a number of US policy issues have yet to be clarified.

Norges Bank maintained a stable key policy rate of 0.5 per cent at its December rate decision meeting. The next interest rate decision will be announced on 16 March 2017. The latest Monetary Policy Report indicates that the key policy rate will remain close to 0.5 per cent in 2017.

Skandiabanken continuously evaluates its credit policies to ensure that the risk in the loan book does not increase significantly as a result of macroeconomic development.

Skandiabanken Boligkreditt has experienced volume growth as a result of the positive volume growth in the parent bank in 2016. The growth is expected to continue into the first quarter of 2017. Covered bonds are expected to play an increasingly important role in the overall funding of the Skandiabanken group in the years to come.

Bergen, 8 February 2017

The Board of Directors, Skandiabanken Boligkreditt AS



Petter Skouen
(Chairman)



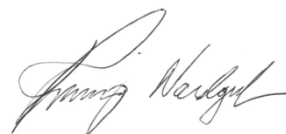
Per Morten Christiansen



Mai-Lill Ibsen



Ragnhild Wiborg



Henning Nordgulen
(CEO)

Income statement

| In NOK thousand | Note | Q4 2016 | 2016 | 05.10.15-31.12.15 |
|--|------|---------------|----------------|-------------------|
| Interest income | 17 | 101 354 | 392 521 | 86 240 |
| Interest expense | 17 | -74 170 | -271 380 | -55 057 |
| Net interest income | | 27 184 | 121 141 | 31 183 |
| Net gain (loss) on financial instruments | | -548 | 420 | 0 |
| Other income | | | 0 | 0 |
| Other operating income | | -548 | 420 | 0 |
| Personnel expenses | | 0 | 0 | 0 |
| Administrative expenses | 18 | -2 517 | -8 649 | -2 044 |
| Profit before loan losses | | 24 119 | 112 912 | 29 139 |
| Loan losses | 12 | -64 | -176 | -1 272 |
| Profit before tax | | 24 055 | 112 736 | 27 867 |
| Tax expense | 19 | -5 481 | -27 145 | -7 524 |
| Profit for the period | | 18 574 | 85 591 | 20 343 |
| Attributable to | | | | |
| Shareholders | | 16 532 | 81 328 | 20 343 |
| Tier 1 capital holders | 16 | 2 042 | 4 263 | 0 |
| Profit for the period | | 18 574 | 85 591 | 20 343 |

Earnings per share, see note 22

Statement of comprehensive income

| In NOK thousand | | Q4 2016 | 2016 | 05.10.15-31.12.15 |
|---|----|---------------|---------------|-------------------|
| Profit for the period | | 18 574 | 85 591 | 20 343 |
| Other comprehensive income | | | | |
| Other comprehensive income that can be reclassified to profit or loss after tax | | -47 | -226 | 0 |
| Other items that can not be reclassified to profit or loss after tax | | | | 0 |
| Total components of other comprehensive income (after tax) | | -47 | -226 | 0 |
| Total comprehensive income for the period | | 18 527 | 85 365 | 20 343 |
| Attributable to | | | | |
| Shareholders | | 16 485 | 81 102 | 20 343 |
| Tier 1 capital holders | 16 | 2 042 | 4 263 | 0 |
| Total comprehensive income for the period | | 18 527 | 85 365 | 20 343 |

Balance sheet

| In NOK thousand | Note | 31.12.16 | 31.12.15 |
|---|----------|-------------------|-------------------|
| Assets | | | |
| Loans to and receivables from credit institutions | 11 | 13 590 | 491 146 |
| Loans to customers | 7,8,9,20 | 19 371 961 | 14 985 711 |
| Net loans to customers and credit institutions | | 19 385 551 | 15 476 857 |
| Commercial paper and bonds available for sale | | 76 072 | 0 |
| Deferred tax assets | | 71 | 0 |
| Other assets | | 0 | 0 |
| Advance payment and accrued income | | 16 926 | 15 354 |
| Total assets | | 19 478 620 | 15 492 210 |
| Liabilities | | | |
| Loans from credit institutions | 11,20 | 1 816 845 | 1 853 330 |
| Debt securities issued | 15,20 | 16 261 848 | 12 672 989 |
| Taxes payable | 19 | 27 118 | 7 524 |
| Other liabilities | | 71 131 | 37 994 |
| Subordinated loan | | 175 000 | 0 |
| Total liabilities | | 18 351 942 | 14 571 837 |
| Equity | | | |
| Share capital | | 60 030 | 60 030 |
| Share premium | | 840 000 | 840 000 |
| Additional Tier 1 capital | 16 | 125 203 | 0 |
| Other equity | | 101 445 | 20 343 |
| Total equity | | 1 126 678 | 920 373 |
| Total liabilities and equity | | 19 478 620 | 15 492 210 |

Statement of changes in equity

| In NOK thousand | Share capital | Share premium | Additional Tier 1 capital | Changes in fair value of financial instruments available for sale | Other equity | Total equity |
|---|---------------|----------------|---------------------------|---|----------------|------------------|
| Paid share capital in connection with the foundation 17.04.15 | 30 | 0 | 0 | 0 | 0 | 30 |
| Capital increase at 05.10.15, with transfer of assets (non-cash contribution) | 60 000 | 840 000 | 0 | 0 | 0 | 900 000 |
| Profit for the period (05.10.15 - 31.12.15) | 0 | 0 | 0 | 0 | 20 343 | 20 343 |
| Balance sheet as at 31.12.15 | 60 030 | 840 000 | 0 | 0 | 20 343 | 920 373 |
| Profit for the period to other equity (01.01.16 - 31.12.16) | | | | | 81 328 | 81 328 |
| Profit for the period to Tier 1 capital holders (01.01.16 - 31.12.16) | | | 4 263 | | | 4 263 |
| Issued Additional Tier 1 capital | | | 125 000 | | | 125 000 |
| Payments to Tier 1 capital holders | | | -4 060 | | | -4 060 |
| Net change in fair value of financial instruments available for sale (01.01.16 to 31.12.16) | | | | -226 | | -226 |
| Balance sheet as at 31.12.16 | 60 030 | 840 000 | 125 203 | -226 | 101 671 | 1 126 678 |

Skandiabanken Boligkreditt is a wholly owned subsidiary of Skandiabanken ASA.

Statement of cash flows

| In NOK thousand | Note | 2016 | 05.10.15- 31.12.15 |
|---|------|-------------------|-----------------------|
| Cash flows from operating activities | | | |
| Net payments on loans to customers* | 7 | -4 384 978 | -14 086 953 |
| Interest received on loans to customers | 17 | 388 610 | 70 730 |
| Interest paid on loans and deposits from credit institution | 17 | -35 914 | -10 360 |
| Net receipts/payments from buying and selling financial instruments at fair value | 20 | -76 369 | 0 |
| Interest received from commercial paper and bonds | 17 | 1 497 | 0 |
| Payments related to administrative expenses | 18 | -7 863 | 0 |
| Taxes paid | | -7 551 | 0 |
| Other receipts/payments | | 22 637 | -448 |
| Net cash flows from operating activities | | -4 099 931 | -14 027 031 |
| Cash flows from investment activities | | | |
| Net cash flows from investment activities | | 0 | 0 |
| Cash flows from financing activities | | | |
| Receipts on issued covered bonds* | 15 | 7 096 860 | 13 437 989 |
| Payments on matured and redeemed covered bonds | 15 | -3 508 000 | -765 000 |
| Interest paid on covered bonds | 17 | -222 313 | -8 142 |
| Net receipts on loans and deposits from credit institution | 11 | -36 485 | 1 853 330 |
| Receipts on subordinated loan | 15 | 175 000 | 0 |
| Interest paid on subordinated loan | 15 | -3 627 | 0 |
| Receipts on issued additional Tier1 capital | 16 | 125 000 | 0 |
| Interest paid on additional Tier 1 capital | 16 | -4 060 | 0 |
| Net cash flows from financing activities | | 3 622 375 | 14 518 177 |
| Total net cash flows | | -477 556 | 491 146 |
| Cash at the beginning of the period | | 491 146 | 0 |
| Cash at the end of the period | | 13 590 | 491 146 |
| Change in cash | | -477 556 | 491 146 |
| Cash | | | |
| Loans to credit institutions | | 13 590 | 491 146 |
| Loans from credit institutions | | 0 | 0 |
| Total cash | | 13 590 | 491 146 |

* The changes in 2015 are mainly related to transfer of loans and covered bonds between Skandiabanken ASA and Skandiabanken Boligkreditt on 5 October 2015 - see also note 2.

Notes

Note 1 – Accounting Principles

The quarterly financial statement for Skandiabanken Boligkreditt AS has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and adopted by the EU. A description of the accounting principles applied in the preparation of the financial statements appears in the annual report for 2015. There have been no changes or amendments to accounting principles in the period.

When preparing the financial statements, the management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the critical accounting estimates and areas where judgment is applied appear in note 2 in the annual report for 2015.

Note 2 – The establishment of Skandiabanken Boligkreditt AS

Background

In January 2015, Livförsäkringsbolaget Skandia, ömsesidigt announced that it was considering a listing of Skandiabanken AB's Norwegian banking business (Skandiabanken AB NUF) to facilitate continued growth. Skandiabanken ASA was floated on the Oslo Stock Exchange on 2 November 2015. Skandiabanken AB's Norwegian business was organised as a branch of Skandiabanken AB and legally registered in Norway as Skandiabanken AB NUF. In order to spin the business off as an independent listed company, a number of transactions were carried out in advance of the flotation.

Skandiabanken Boligkreditt was incorporated on 17 April 2015 as Midgard Prosjekt II AS, a wholly owned subsidiary of Midgard Prosjekt I ASA (which later changed its name to "Skandiabanken ASA"). The company's objective is to act as a covered bond company for the Group in Norway. On 5 October 2015, the business belonging to Skandiabanken AB NUF was transferred in a cross-border demerger/merger (pursuant to § 14-12(4) of the Public Limited Companies Act and Chapter 11 of the Taxation Act) to Midgard Prosjekt I ASA. Simultaneously, residential mortgages were transferred from Skandiabanken AB to Skandiabanken Boligkreditt, enabling the issuance of covered bonds in the Norwegian market to be used as "redemption-in-kind" for the covered bonds formerly issued by Skandiabanken AB in respect of the Norwegian business. Consequently, the former bonds were swapped for newly issued bonds from Skandiabanken Boligkreditt on the original terms and conditions.

Skandiabanken AB retained all rights in the transaction to the brand name "Skandiabanken", "Skandia", "Ideer for livet", domain names associated with the brand names and liabilities associated with tax for Skandiabanken AB. Since Skandiabanken AB NUF had never had these rights, it is not deemed to be a relevant issue in the assessment below. All other assets and liabilities associated with the Norwegian business were spun off from Skandiabanken AB.

Recognition and presentation in the company's financial statements

A transaction encompassing companies under the same control, a newly incorporated parent which has had no commercial activity before the transaction(s) and where the parent company takes over an existing business is a transaction that must be recognised as a "capital reorganisation". Such a transaction is not deemed to be a business combination under IFRS 3, nor a combination with reverse takeover, since the newly established parent has no existing business. The establishment of the Skandiabanken ASA group, where the business previously belonging to Skandiabanken AB NUF and assets and liabilities associated with the Norwegian business operated through the branch Skandiabanken AB NUF are transferred to the newly established companies Skandiabanken ASA and Skandiabanken Boligkreditt, is deemed to represent such a case.

This means that assets and liabilities in the existing business are recognised in Skandiabanken ASA's consolidated financial statements at their book value at the time the transaction took place (continuity). The reason for this is that, for accounting purposes, there is no financial substance to the transaction, since, in reality, the new group structure takes over the entire business previously organised in the branch, Skandiabanken AB NUF and thereby reflects the profit/loss and balance of the existing business. The only thing that is changed by the transactions is the legal structure. In a capital reorganisation the new company's consolidated financial statements will reflect the existing business's results (including comparable figures), even though the reorganisation has occurred in the middle of a financial period.

In the financial statements of Skandiabanken Boligkreditt (formerly Midgard Prosjekt II AS), it will also be natural to make use of a capital reorganisation perspective, since it is a transaction under the same control, where a newly incorporated "subsidiary" has no commercial activity before the transaction takes place.

With respect to the presentation of comparable figures, one must however, take into account that only part of the business belonging to Skandiabanken AB NUF has been transferred to Skandiabanken Boligkreditt. The objective of showing a full accounting history in a capital reorganisation is to show the unit as if no transaction has occurred, since performance of the transactions causes no real financial change on the part of the joint owner. However, for Skandiabanken Boligkreditt's financial statements there will not be a one-to-one relationship between the old business in Skandiabanken AB NUF and the new Skandiabanken Boligkreditt. It is therefore not expedient to present comparable figures, since only part of the former business has wound up in the company. Such an apportionment could quickly give the impression of being pro forma, since many of the items must be allocated.

In our view, there is no obligation to choose the same solution for the consolidated financial statements and the individual company financial statements. One can therefore choose to present the company's financial statements only for the period in which the company has existed (but where assets taken over from Skandiabanken AB NUF are measured and recognised at Skandiabanken AB NUF's book values at that time, i.e. another variant of the continuity perspective).

Note 3 – Segment information

Skandiabanken Boligkreditt AS has only one reporting segment, which comprises home loans to private individuals. Management monitors the company only in relation to this segment.

Note 4 – Capital adequacy

The capital adequacy regulations are intended to improve institutions' risk management and achieve closer concordance between risk and capital. The applicable regulations for Norwegian banks are adapted to the EU's capital adequacy regulations for credit institutions and investment firms (CRD IV/CRR).

Skandiabanken Boligkreditt uses the standard method to establish the risk weighted volume for credit risk and the basic method to establish the risk weighted volume for operational risk. At the balance sheet date, no exposure was included in the risk weighted volume for market risk.

| In NOK thousand | 31.12.16 | | 31.12.15 | |
|--|-------------------|----------------------|-------------------|----------------------|
| | Nominal exposure | Risk-Weighted volume | Nominal exposure | Risk-Weighted volume |
| Central governments | 25 859 | 0 | 0 | 0 |
| Regional governments | 72 | 179 | 0 | 0 |
| Institutions | 13 591 | 2 718 | 491 146 | 98 229 |
| Secured by mortgages on immovable property | 19 381 550 | 6 796 482 | 14 997 044 | 5 265 493 |
| Exposures in default | 7 337 | 7 337 | 4 020 | 4 020 |
| Covered bonds | 50 211 | 5 021 | 0 | 0 |
| Other items | 0 | 0 | 1 | 1 |
| Total credit risk, standardised method | 19 478 620 | 6 811 737 | 15 492 210 | 5 367 743 |
| Operational risk | | 227 138 | | 282 186 |
| Total risk- weighted volume | | 7 038 875 | | 5 649 929 |
| Capital base | | | | |
| Share capital | | 60 030 | | 60 030 |
| Share premium | | 840 000 | | 840 000 |
| Other equity | | 20 117 | | 20 343 |
| Additional Tier 1 capital | | 125 203 | | 0 |
| Profit for the period | | 81 328 | | 0 |
| Total booked equity | | 1 126 678 | | 920 373 |
| Additional Tier 1 capital instruments included in total equity | | -125 203 | | 0 |
| Common equity Tier 1 capital instruments | | 1 001 475 | | 920 373 |
| <i>Deductions</i> | | | | |
| Goodwill, deferred tax assets and other intangible assets | | 0 | | 0 |
| Value adjustment due to the requirements for prudent valuation (AVA) | | -76 | | 0 |
| Profit for the period, not eligible* | | 0 | | 0 |
| Common equity Tier 1 capital | | 1 001 399 | | 920 373 |
| Additional Tier 1 capital | | 125 000 | | 0 |
| Tier 1 capital | | 1 126 399 | | 920 373 |
| Tier 2 capital | | 175 000 | | 0 |
| Own funds (primary capital) | | 1 301 399 | | 920 373 |
| Specification of capital requirements | | | | |
| Minimum requirements CET1 capital | 4.5 % | 316 749 | 4.5 % | 254 247 |
| Capital conservation buffer | 2.5 % | 175 972 | 2.5 % | 141 248 |
| Systemic risk buffer | 3.0 % | 211 166 | 3.0 % | 169 498 |
| Countercyclical capital buffer | 1.5 % | 105 583 | 1.0 % | 56 499 |
| Additional Tier 1 capital | 1.5 % | 105 583 | 1.5 % | 84 749 |
| Tier 2 capital | 2.0 % | 140 778 | 2.0 % | 112 999 |
| Total minimum and buffer requirements own funds (primary capital) | 15.0 % | 1 055 831 | 14.5 % | 819 240 |
| <i>Available CET1 capital after buffer requirements</i> | | <i>191 928</i> | | <i>101 134</i> |
| <i>Available Own funds (primary capital)</i> | | <i>245 568</i> | | <i>101 134</i> |
| Capital ratio % | | | | |
| Common equity Tier 1 capital | | 14.2 % | | 16.3 % |
| Additional Tier 1 capital | | 1.8 % | | 0.0 % |
| Tier 2 capital | | 2.5 % | | 0.0 % |
| Total capital ratio | | 18.5 % | | 16.3 % |

* Adjusted for proposed dividend in the parent bank.

Note 5 – Leverage ratio

The leverage ratio requirement is a supplement to the risk-weighted minimum capital requirements and states that the capital base in financial institutions shall also comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without risk weighting. The regulations are intended to prevent banks from using too low of a risk weight in the capital adequacy calculations, and to ensure that the banks maintain a minimum capital level, even with skewing of the portfolio towards low-risk segments.

On 20 December 2016 the Norwegian Ministry of Finance announced that the minimum leverage ratio requirement for Norwegian banks and credit institutions will be three per cent. In addition, banks will have to meet a buffer requirement of two per cent. The requirements will take effect from 30

June 2017. If the requirements are not met, institutions will have to submit a plan for the necessary increase in leverage ratio within five days. The automatic restrictions that occur for institutions dividend policy, bonus payments and share buybacks under the risk-weighted minimum capital requirements, does not apply to the non-fulfilment of buffer requirements for leverage ratio.

The capital target is to consist of Tier 1 capital and the exposure target to follows the rules in the Commission Delegated Regulation (EU) 2015-62. The regulation has not yet been incorporated into the EEA Agreement, or translated into Norwegian. The Norwegian Ministry of Finance will issue further rules for calculating the exposure target during the spring of 2017.

The table below shows the calculation, on the basis of existing rule proposals and with credit conversion factors (CCF) based on the current standardised approach, subject to a CCF-floor of 10 per cent.

| In NOK thousand | | 31.12.16 | 31.12.15 |
|---|--------------|-------------------|-------------------|
| Off balance sheet commitments | | 0 | 0 |
| Loans and advances and other assets | | 19 478 620 | 15 492 210 |
| Regulatory adjustments included in Tier 1 capital | | 0 | 0 |
| Total leverage exposure | | 19 478 620 | 15 492 210 |
| Tier 1 capital* | | 1 126 399 | 920 373 |
| Leverage ratio % | | 5.8 % | 5.9 % |
| Leverage Ratio requirements | | | |
| Minimum requirements | 3.0 % | 584 359 | 464 766 |
| Buffer requirements credit institutions | 0.0 % | 0 | 0 |
| Total minimum and buffer requirements (Tier 1 capital) | 3.0 % | 584 359 | 464 766 |
| <i>Available Tier 1 capital after minimum and buffer requirements</i> | | <i>542 040</i> | <i>455 607</i> |

* Adjusted for proposed dividend in the parent bank.

Note 6 – Financial risk management

Skandiabanken Boligkredit's risk strategy comprises a combination of its risk philosophy and risk management principles.

Risk philosophy

Skandiabanken Boligkredit's core business involves issuing or purchasing residential mortgages, property mortgages and funding of the lending activity, primarily through the issuance of covered bonds. Skandiabanken Boligkredit shall not assume any material risk other than that deriving from this core business, i.e. primarily credit risk and liquidity risk.

The company shall have a sound risk culture, based on openness, transparency and competence, and shall constantly challenge its methods, processes and procedures in order to improve its performance.

Risk management principles

Skandiabanken Boligkredit shall adopt a holistic approach to risk management. The following principles therefore apply:

- Skandiabanken Boligkredit's Board of Directors shall establish specific management frameworks for each risk area.
- Risk management and reporting shall be performed in accordance with applicable frameworks and objectives.
- Risk management shall be an ongoing and continuous process.
- Risk reporting shall be framed in an understandable manner and provide a clear picture of Skandiabanken Boligkredit's risk situation to all stakeholders.
- Responsibility for entering into agreements that cause the company to incur risk is delegated through personal authorisations.

Organisation of risk management

Skandiabanken Boligkredit's organisation of risk management is designed so as to secure implementation of the company's risk strategy.

Skandiabanken Boligkredit does not currently employ any staff. The CEO's services are hired from the bank. Skandiabanken Boligkredit's functions for handling risk and capital management include:

- The Board of Directors, and the Board's Risk Management Committee
- The CEO
- The bank's Risk Management function
- The bank's Finance functions, including CFO, Asset and Liability Committee and Treasury
- Internal Auditor
- External Auditor
- Independent Inspector

For further information about risk management and the different types of risks in Skandiabanken Boligkredit, reference is made to the annual report for 2015.

Note 7 – Loans to customers

| In NOK thousand | 31.12.16 | 31.12.15 |
|--|-------------------|-------------------|
| Loans to customers | | |
| Loans without agreed maturity or notice period | 0 | 0 |
| Loans with agreed maturity or notice period | 19 373 409 | 14 986 983 |
| Total loans to customers (gross) | 19 373 409 | 14 986 983 |
| Write-downs for individually assessed impaired loans | 0 | 0 |
| Write-downs for collectively assessed impaired loans | 1 448 | 1 272 |
| Total loans to customers (net) | 19 371 961 | 14 985 711 |

Residual time to maturity (gross loans)

| In NOK thousand | 31.12.16 | 31.12.15 |
|-------------------|-------------------|-------------------|
| Upon request | 0 | 0 |
| Maximum 3 months | 254 827 | 190 358 |
| 3 months - 1 year | 763 957 | 569 010 |
| 1-5 years | 4 006 910 | 2 989 093 |
| More than 5 years | 14 347 715 | 11 238 522 |
| Total | 19 373 409 | 14 986 983 |

Note 8 – Loans to customers by geographical area

Lending by geographical area*

| In NOK thousand | 31.12.16 | | 31.12.15 | |
|--|----------------|-------------------|----------------|-------------------|
| | Percentage | Gross lending | Percentage | Gross lending |
| Østfold | 5.0 % | 975 557 | 4.4 % | 666 271 |
| Akershus | 24.8 % | 4 795 591 | 24.4 % | 3 656 533 |
| Oslo | 22.7 % | 4 392 599 | 23.5 % | 3 527 264 |
| Hedmark | 0.9 % | 174 199 | 0.8 % | 120 888 |
| Oppland | 0.9 % | 170 243 | 0.9 % | 130 685 |
| Buskerud | 5.9 % | 1 134 053 | 5.5 % | 823 645 |
| Vestfold | 3.6 % | 702 130 | 3.4 % | 510 967 |
| Telemark | 0.6 % | 116 171 | 0.5 % | 79 117 |
| Aust-Agder | 0.7 % | 131 898 | 0.6 % | 86 930 |
| Vest-Agder | 1.0 % | 187 475 | 1.0 % | 154 638 |
| Rogaland | 7.8 % | 1 507 283 | 8.6 % | 1 289 934 |
| Hordaland | 14.0 % | 2 703 701 | 14.1 % | 2 117 453 |
| Sogn og Fjordane | 0.2 % | 30 807 | 0.2 % | 22 503 |
| Møre og Romsdal | 1.4 % | 273 250 | 1.4 % | 212 713 |
| Sør-Trøndelag | 4.2 % | 820 756 | 4.5 % | 671 922 |
| Nord-Trøndelag | 0.5 % | 93 255 | 0.4 % | 61 714 |
| Nordland | 2.2 % | 423 226 | 2.0 % | 300 957 |
| Troms | 3.1 % | 608 476 | 3.1 % | 468 653 |
| Finnmark | 0.7 % | 132 739 | 0.6 % | 84 196 |
| Total gross lending per geographical area | 100.0 % | 19 373 409 | 100.0 % | 14 986 983 |

* The basis for the geographical distribution is the customer's residential address.

Note 9 – Credit risk exposure and collateral

Credit risk or counterparty risk is the risk of loss as a result of the company's customers and counterparties failing to fulfil their payment obligations. The company's maximum credit exposure will be the book value of financial assets and any associated off-balance sheet liabilities.

The company's customer exposures comprise the bulk of the company's total credit exposure. A high percentage of the company's lending is collateralised. Collateral in the private retail market essentially comprise fixed property.

The table below shows the relationship between total credit exposure and the associated collateral distributed to exposure class. Lending secured by mortgages includes the percentage distributed of exposure relating to the various loan-to-value levels. For example, the line 0-40% means that the exposures amount to less than 40 percent of the value of the collateral. 100% means that the loan amount exceeds the value of the hedging object or that the loan is unsecured. The entire loan per collateral is placed in the same loan-to-value category.

The property values on which the calculations are based are updated in the last month of each quarter and are therefore representative of the current market value. The calculation of loan-to-value does not take into account any additional collateral.

| In NOK thousand | | 31.12.16 | | | |
|---|-------------------------|-----------------|------------------------|---------------------------|---------------------------------|
| Loan-to-value, Residential mortgages | Distribution in percent | Number of loans | Gross carrying amounts | Off-balance sheet amounts | Maximum exposure to credit risk |
| 0 % - 40 % | 28 % | 4 277 | 5 477 711 | 0 | 5 477 711 |
| 40 % - 60 % | 43 % | 3 925 | 8 270 699 | 0 | 8 270 699 |
| 60 % - 80 % | 29 % | 2 165 | 5 552 102 | 0 | 5 552 102 |
| 80 % - 90 % | 0 % | 22 | 65 746 | 0 | 65 746 |
| 90 % - 100 % | 0 % | 2 | 2 822 | 0 | 2 822 |
| > 100 % | 0 % | 2 | 4 329 | 0 | 4 329 |
| Residential mortgages | | | 19 373 409 | 0 | 19 373 409 |
| Exposure to customers | | | 19 373 409 | 0 | 19 373 409 |
| Loans to and receivables from credit institutions | | | 13 590 | 0 | 13 590 |
| Commercial paper and bonds available for sale | | | 76 072 | 0 | 76 072 |
| Other assets | | | 16 997 | 0 | 16 997 |
| Exposure to others | | | 106 659 | 0 | 106 659 |
| Gross exposure | | | 19 480 068 | 0 | 19 480 068 |

The table below shows the percentage allocation of exposures for home loans for various levels of loan-to-value. Where the entire exposure in the table above is placed in a related loan-to-value level, the relative share of the loan exposure at each level is shown in the table below.

| In NOK thousand | | 31.12.16 | |
|--|-------------------------|------------------------|--|
| Loan-to-value, Residential mortgages (relative distribution) | Distribution in percent | Gross carrying amounts | |
| 0 % - 85 % | 99.990 % | 19 371 527 | |
| 85 % - 100 % | 0.008 % | 1 490 | |
| > 100 % | 0.002 % | 392 | |
| Residential mortgages | | 19 373 409 | |

In NOK thousand

31.12.15

| Loan-to-value, Residential mortgages | Distribution in percent | Number of loans | Gross carrying amounts | Off-balance sheet amounts | Maximum exposure to credit risk |
|---|-------------------------|-----------------|------------------------|---------------------------|---------------------------------|
| 0 % - 40 % | 22 % | 2 692 | 3 280 875 | 0 | 3 280 875 |
| 40 % - 60 % | 37 % | 2 775 | 5 520 386 | 0 | 5 520 386 |
| 60 % - 80 % | 41 % | 2 478 | 6 118 022 | 0 | 6 118 022 |
| 80 % - 90 % | 0 % | 40 | 59 540 | 0 | 59 540 |
| 90 % - 100 % | 0 % | 5 | 4 901 | 0 | 4 901 |
| > 100 % | 0 % | 3 | 3 259 | 0 | 3 259 |
| Residential mortgages | | | 14 986 983 | 0 | 14 986 983 |
| Exposure to customers | | | 14 986 983 | 0 | 14 986 983 |
| Loans to and receivables from credit institutions | | | 491 146 | 0 | 491 146 |
| Other assets | | | 15 354 | 0 | 15 354 |
| Exposure to others | | | 506 500 | 0 | 506 500 |
| Gross exposure | | | 15 493 483 | 0 | 15 493 483 |

In NOK thousand

31.12.15

| Loan-to-value, Residential mortgages (relative distribution) | Distribution in percent | Gross carrying amounts |
|--|-------------------------|------------------------|
| 0 % - 85 % | 99.98 % | 14 984 565 |
| 85 % - 100 % | 0.01 % | 1 716 |
| > 100 % | 0.01 % | 702 |
| Residential mortgages | | 14 986 983 |

Note 10 – Loan-to-value (LTV) and cover pool

| In NOK thousand | 31.12.16 | | 31.12.15 | |
|--|-------------------|---------------|-------------------|---------------|
| Debt related to securities issued, nominal value | 16 300 000 | | 12 685 000 | |
| Debt related to securities issued, carried value | 16 261 848 | | 12 672 989 | |
| Loans to customers (gross) | 19 373 409 | | 14 986 983 | |
| Average size of loan | 1 864 | | 1 915 | |
| Number of loans | 10 393 | | 7 992 | |
| Weighted average since issuing of the loans (months) | 44 | | 36 | |
| Weighted average remaining maturity (months) | 267 | | 276 | |
| Average LTV (percent) | 49.2 | | 53.6 | |
| Cover pool | | | | |
| | 31.12.16 | | 31.12.15 | |
| Loans secured with mortgages | 19 373 409 | | 14 986 983 | |
| Not eligible for the cover pool | -71 183 | | -32 722 | |
| Net loans that are in the cover pool | 19 302 226 | | 14 954 261 | |
| Commercial paper and bonds | 75 000 | | 0 | |
| Supplementary assets | 13 590 | | 491 133 | |
| Total cover pool | 19 390 816 | | 15 445 394 | |
| Cover pool | Nominal value | Carried value | Nominal value | Carried value |
| Over-collateralisation (percent) | 19.0 | 19.2 | 21.8 | 21.9 |
| Amount surpassing legal minimum requirements | 3 090 816 | 3 128 968 | 2 760 394 | 2 772 406 |
| Amount surpassing minimum requirements as indicated by rating agency | 2 683 316 | 2 722 422 | 2 443 269 | 2 455 581 |

Note 11 – Credit institutions – receivables and liabilities

| In NOK thousand | 31.12.16 | 31.12.15 |
|--|------------------|------------------|
| Loans to and receivables from credit institutions | | |
| Loans to and receivables without maturity or notice period | 13 590 | 491 146 |
| Loans to and receivables with agreed maturity or notice period | 0 | 0 |
| Write-downs on impaired loans | 0 | 0 |
| Total loans to and receivables from credit institutions | 13 590 | 491 146 |
| Liabilities to credit institutions | | |
| Loans and deposits from credit institutions without agreed maturity or notice period | 0 | 0 |
| Loans and deposits from credit institutions with agreed maturity or notice period | 1 816 845 | 1 853 330 |
| Total liabilities to credit institutions | 1 816 845 | 1 853 330 |

Note 12 – Loan losses

Loan loss provisions

| In NOK thousand | 31.12.16 | 31.12.15 |
|--|--------------|---------------|
| Opening balance individual write-downs | 0 | 0 |
| + Increase in write-downs on loans previously written down | 0 | 0 |
| + Write-downs on loans not previously written down | 0 | 0 |
| - Reversal of write downs as a result of confirmations in the period | 0 | 0 |
| - Reversal of individual write-downs in the period | 0 | 0 |
| Closing balance | 0 | 0 |
| Opening balance collective write-downs | 1 272 | 0 |
| +/- change in collective write-downs in the period | 176 | 1 272 |
| Closing balance group collective write-downs | 1 448 | 1 272 |
| Closing balance total write-downs | 1 448 | 1 272 |
| Individual write-downs | 0 | 0 |
| Individual write-downs (collectively considered) | 0 | 0 |
| Collective write-downs | 1 448 | 1 272 |
| Total write downs | 1 448 | 1 272 |
| Specification of loan losses | | |
| Actual losses | 0 | 0 |
| Reversal of previous years' depreciation | 0 | 0 |
| Increase in provision | -176 | -1 272 |
| Reversal of provisions | 0 | 0 |
| Recoveries of previously written-off | 0 | 0 |
| Net cost of losses in the period | -176 | -1 272 |
| Losses by sector and industry | | |
| Retail market (individuals) | 1 448 | 1 272 |
| Total | 1 448 | 1 272 |
| Write-downs by product group | | |
| Residential mortgages | 1 448 | 1 272 |
| Total | 1 448 | 1 272 |

Note 13 – Non-performing and doubtful loans

Non-performing and doubtful loans

Skandiabanken Boligkreditt AS has internal routines for ongoing monitoring of exposures for which repayments and interest have not been paid on time or for which authorised overdraft limits are exceeded, where the reason is deemed to be the customer's inability or lack of propensity to pay. Payment defaults of more than 60 days and more than NOK 200 are always reported as non-performing. If other matters are identified that make it probable that the customer's financial position will result in loss, the exposure is classified as doubtful. The need to recognise individual impairments is assessed against the value of available collateral for the exposure. The table below shows the relationship between the gross book value of non-performing and doubtful loans and the associated individual impairments.

| In NOK thousand | 31.12.16 | 31.12.15 |
|---|--------------|--------------|
| Non-performing loans with write-downs | | 0 |
| Non-performing loans without write-downs | 6 349 | 4 018 |
| Total non-performing loans (more than 60 days) | 6 349 | 4 018 |
| Doubtful loans | 0 | 0 |
| Gross non-performing and doubtful loans | 6 349 | 4 018 |
| - Individual write-downs | 0 | 0 |
| Net non-performing and doubtful loans | 6 349 | 4 018 |
| <i>Provisioning ratio</i> | <i>0 %</i> | <i>0 %</i> |

Overdue loans without write-downs - age distribution

The table below shows the book value of overdue loans and overdrawn amounts on credits allocated by number of days after maturity, where no impairments have been recognised. The table is intended to provide an analysis of exposures where there is inadequate ability or propensity to pay, rather than overdue amounts attributable to a delay in transferring funds. Based on this and the company's internal routines for monitoring overdue exposures, the default must exceed NOK 200 for more than 6 days to be included in the table below.

| In NOK thousand | 31.12.16 | | | | Total |
|---------------------------|----------------|---------------|--------------|-------------------|----------------|
| | 7-30 days | 31 - 60 days | 61 - 90 days | More than 90 days | |
| Mortgages | 178 813 | 26 768 | 2 000 | 4 349 | 211 930 |
| Loans to customers | 178 813 | 26 768 | 2 000 | 4 349 | 211 930 |

| In NOK thousand | 31.12.15 | | | | Total |
|---------------------------|----------------|---------------|--------------|-------------------|----------------|
| | 7-30 days | 31 - 60 days | 61 - 90 days | More than 90 days | |
| Mortgages | 177 755 | 25 539 | 4 018 | 0 | 207 312 |
| Loans to customers | 177 755 | 25 539 | 4 018 | 0 | 207 312 |

Note 14 – Liquidity risk (LCR) and NSFR

The liquidity requirements are intended to guarantee satisfactory liquidity management by ensuring that the institutions have sufficient liquid assets to cover their liabilities on maturity and have stable and long-term financing at all times. The Liquidity Coverage Ratio (LCR) is intended to ensure that institutions can convert sufficient assets to cash to cover expected net liquidity outflows over the next 30 days in stressed situations in the money and capital markets. The Net Stable Funding Ratio (NSFR) is intended to ensure that less liquid assets are financed over the long term.

On 22 December 2015, based on the CRR/CRD IV Regulation, Finanstilsynet issued its Regulation on Calculation of Liquid Assets, Payments and Deposits in the Liquidity Coverage Ratio (LCR). For Norwegian covered bonds companies, including Skandiabanken Boligkreditt, the LCR requirement applied from 30 June 2016. The requirement is gradually phased in, and rising from 70 per cent to 80 per cent from 31 December 2016, and finally to 100 percent from 31 December 2017.

The NSFR has not yet been introduced as a minimum requirement. On 23 November the EU Commission proposed the introduction of a requirement of 100 per cent which will come into force two years after publication in the Official Journal of the European Union. The requirement will thus presumably apply from the end of 2018 or beginning early in 2019.

LCR (Liquidity Coverage Ratio)

| In NOK thousand | 31.12.16 | |
|--|-------------------|---------------|
| | Carrying value | Value LCR |
| Level 1 - assets exclusive Covered bonds | 25 859 | 25 859 |
| Level 1 Covered bonds | 50 212 | 46 698 |
| Level 2A - assets | 0 | 0 |
| Level 2B - assets | 0 | 0 |
| Assets ineligible as "liquid assets" | 19 402 549 | 0 |
| Total assets | 19 478 620 | 72 557 |
| Net outflows | | 11 897 |
| LCR % | | 610 % |

Note 15 – Debt securities issued

Carried at amortised cost:

| In NOK thousand | Currency | 31.12.16 | 31.12.15 |
|-------------------------------------|----------|-------------------|-------------------|
| Bonds issued | NOK | 16 261 848 | 12 672 989 |
| Subordinated loan | NOK | 175 000 | 0 |
| Total debt securities issued | | 16 436 848 | 12 672 989 |

Specification of covered bonds as at 31.12.16:

| ISIN | Issuing company | Nominal value | Currency | Interest | Maturity | Carrying value |
|----------------------------|-------------------------------|-------------------|----------|----------|------------|-------------------|
| Covered bonds | | | | | | |
| NO0010745326 | Skandiabanken Boligkreditt AS | 2 000 000 | NOK | Floating | 31.07.2017 | 1 999 462 |
| NO0010745292 | Skandiabanken Boligkreditt AS | 4 000 000 | NOK | Floating | 04.10.2018 | 3 992 879 |
| NO0010745300 | Skandiabanken Boligkreditt AS | 4 000 000 | NOK | Floating | 29.10.2019 | 3 991 052 |
| NO0010745334 | Skandiabanken Boligkreditt AS | 4 000 000 | NOK | Floating | 14.08.2020 | 3 999 226 |
| NO0010745342 | Skandiabanken Boligkreditt AS | 2 300 000 | NOK | Floating | 14.10.2021 | 2 279 229 |
| Total covered bonds | | 16 300 000 | | | | 16 261 848 |

All covered bond have "soft bullet" with the possibility to extend the maturity with one year.

Subordinated loan

| | | | | | | |
|--------------------------------|-------------------------------|---------|-----|----------|--------------|----------------|
| NO0010768120 | Skandiabanken Boligkreditt AS | 175 000 | NOK | Floating | 22.06.2026** | 175 000 |
| Total subordinated loan | | | | | | 175 000 |

** First possible call date for the issuer is 22 June 2021. The loan agreement has covenants to qualify as Tier 2 capital.

Changes of debt securities:

| | 31.12.15 | Issued 2016 | Matured | Redeemed | Other adjustments | 31.12.16 |
|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Bonds (nominal) | 12 685 000 | 7 123 000 | -1 586 000 | -1 922 000 | | 16 300 000 |
| Subordinated loan | 0 | 175 000 | | | | 175 000 |
| Total | 12 685 000 | 7 298 000 | -1 586 000 | -1 922 000 | 0 | 16 475 000 |

Note 16 – Additional Tier 1 Capital (hybrid capital)

On 21 June 2016, Skandiabanken Boligkreditt AS issued a hybrid capital instrument with a nominal value of NOK 125 million. The instrument is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 22 June 2021, 5 years after the issue date. The instrument has an interest rate of NIBOR 3 months plus a margin of 5.3 percent.

The loan agreement fulfils the Norwegian regulatory requirements for inclusion in the Bank's Tier 1 capital. This implies that the issuer, at its sole discretion, has the right to withhold interest and/or redemption of the instrument. This implies that the instrument does not fulfil the definition of a debt instrument according to IAS 32 and is such defined as equity in the company's balance sheet.

| In NOK thousand | Currency | 31.12.16 | 31.12.15 |
|--|----------|----------------|----------|
| Additional Tier 1 capital | NOK | 125 000 | 0 |
| Total Additional Tier 1 capital | | 125 000 | 0 |

Spesification of additional Tier 1 capital as at 31.12.16:

| ISIN | Issuing company | Nominal value | Currency | Interest | Maturity* | Carrying amounts |
|--|-------------------------------|---------------|----------|------------------|-----------|------------------|
| Additional Tier 1 capital | | | | | | |
| NO0010768138 | Skandiabanken Boligkreditt AS | 125 000 | NOK | 3M Nibor + 5.3 % | Perpetual | 125 000 |
| Total additional Tier 1 capital | | | | | | 125 000 |

* The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 22 June 2021.

Change of additional Tier 1 capital

| | 31.12.2015 | January - December 2016 | | | | 31.12.16 |
|---------------------------|------------|-------------------------|----------|----------|-------------------|----------------|
| | | Issued | Matured | Redeemed | Other adjustments | |
| Additional Tier 1 capital | 0 | 125 000 | 0 | 0 | 0 | 125 000 |
| Total | 0 | 125 000 | 0 | 0 | 0 | 125 000 |

As at 31 December 2016, there is NOK 0.2 million in accrued interest related to additional Tier 1 capital. This has been recognised against the additional Tier 1 capital and the carried value including accrued interest is 125.2 million NOK.

Note 17 – Net interest income

| Net interest income | Q4 2016 | 2016 | 05.10.15-31.12.15 |
|---|----------------|-----------------|-------------------|
| In NOK thousand | | | |
| Loans to and receivables from credit institutions | 168 | 812 | 155 |
| Loans to customers | 100 846 | 390 185 | 86 085 |
| Commercial paper and bonds | 340 | 1 524 | 0 |
| Total interest income | 101 354 | 392 521 | 86 240 |
| Loans and deposits from credit institutions | -9 144 | -35 914 | -10 361 |
| Debt securities issued | -63 196 | -231 656 | -44 695 |
| Subordinated loan | -1 830 | -3 810 | 0 |
| Total interest expense | -74 170 | -271 380 | -55 057 |
| Net interest income | 27 184 | 121 141 | 31 183 |

All interest income from customers is related to residential mortgages

Note 18 – Administrative expenses

Other administrative expenses

| In NOK thousand | Q4 2016 | 2016 | 05.10.15- 31.12.15 |
|--|--------------|--------------|-----------------------|
| Consultants and other external services | 2 517 | 8 645 | 1 961 |
| Other operating expenses | 0 | 4 | 83 |
| Total other administrative expenses | 2 517 | 8 649 | 2 044 |

Note 19 – Tax expense

| In NOK thousand | Q4 2016 | 2016 | 05.10.15- 31.12.15 |
|---|---------------|----------------|-----------------------|
| Taxes payable | 5 454 | 27 118 | 7 524 |
| Change in deferred tax | 0 | 0 | 0 |
| Correction of taxes payable previous year | 27 | 27 | 0 |
| Total tax expense | 5 481 | 27 145 | 7 524 |
| Reconciliation of the tax expense: | | | |
| Profit before tax | 24 055 | 112 736 | 27 867 |
| Expected tax expense at nominal rate of 25 % (in 2016) and 27 % (in 2015) | 6 014 | 28 184 | 7 524 |
| Tax effect from interest to Tier 1 capital holders | -560 | -1 066 | 0 |
| Correction of taxes payable previous year | 27 | 27 | 0 |
| Total tax expense | 5 481 | 27 145 | 7 524 |
| Effective tax rate | 22.8 % | 24.1 % | 27.0 % |

Note 20 – Fair value of financial instruments

| In NOK thousand | 31.12.16 | | 31.12.15 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Assets | | | | |
| Loans to and receivables from credit institutions (ac) | 13 590 | 13 590 | 491 146 | 491 146 |
| Loans to customers (ac) | 19 371 961 | 19 371 961 | 14 985 711 | 14 985 711 |
| Commercial paper and bonds available for sale | 76 072 | 76 072 | 0 | 0 |
| Other assets (ac) | 16 926 | 16 926 | 15 354 | 15 354 |
| Total assets financial instruments | 19 478 549 | 19 478 549 | 15 492 210 | 15 492 210 |
| Liabilities | | | | |
| Loans and deposits from credit institutions (ac) | 1 816 845 | 1 816 845 | 1 853 330 | 1 853 330 |
| Debt securities issued (ac) | 16 261 848 | 16 302 714 | 12 672 989 | 12 587 260 |
| Other liabilities (ac) | 71 131 | 71 131 | 45 518 | 45 518 |
| Subordinated loan (ac) | 175 000 | 181 030 | 0 | 0 |
| Total liabilities financial instruments | 18 324 824 | 18 371 720 | 14 571 837 | 14 486 108 |

(ac) = assets and liabilities booked at amortised cost

Fair value of financial instruments measured at amortised cost

Cash and cash equivalents, loans to credit institutions and loans to customers and debt securities are measured at amortised cost.

Measurement at amortised cost imply that a financial asset or liability is recognised to the present value of the contractual cash flows using effective interest rate method, adjusted for potential impairment. This measurement method will not necessarily provide a carrying value equal to the fair value of the financial instrument due to volatility in the market, changed market conditions, asymmetrical information and changes in investors risk- and return expectations.

Cash and cash equivalents and loans and advances: Fair value is estimated based on amortised cost as all assets are recognised in the accounts based on the contractual cash flow with floating interest rate and that loans with impairment indicators are written down to fair value of expected cash flows. There is no active market for loan portfolios.

Debt to credit institutions are liabilities with floating interest rate and as there have not been any significant changes in the credit spread, amortised cost is assumed to be a reasonable approximation to fair value.

Debt securities are measured at fair value based on prices sourced from Nordic Bond Pricing. Nordic Bond Pricing has estimated the fair value based on available price information from investment banks and brokers trading in the bond markets.

| 31.12.2016 | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------------|----------|---------------|
| Commercial paper and bonds available for sale | 0 | 76 072 | 0 | 76 072 |
| Total | 0 | 76 072 | 0 | 76 072 |

| Financial instruments measured at fair value level 3 | Total |
|--|----------|
| In NOK thousand | |
| Opening balance 1 January 2016 | 0 |
| Net gain/(loss) on financial instruments (unrealised)* | 0 |
| Acquisitions / exits | 0 |
| Sale | 0 |
| Settlement | 0 |
| Transferred from Level 1 or Level 2 | 0 |
| Transferred to Level 1 or Level 2 | 0 |
| Other | 0 |
| Closing balance at 31 December 2016 | 0 |

There has been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2016

Fair value hierarchy

Financial assets and debt recognised at fair value, due to these having been classified either as held for trade, designated at fair value through profit or loss on initial recognition (fair value option) or held for sale, shall be classified in a fair value hierarchy depending on the reliability of the fair value estimate. At Level 1, assets or liabilities are priced in an active market, at level 2 prices are determined on the basis of observable input data from similar assets (either directly or indirectly) and at level 3 prices are fair value based on unobservable input data.

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has access to at the reporting date. An active market is a market where quoted prices are easily accessible at a stock exchange or similar trading place, from a broker or other entity that publishes price information. Quoted prices shall represent actual and frequent transactions. For Skandiabanken Boligkreditt AS, level 1 assets and liabilities comprise listed interest-bearing bonds.

Level 2: Prices other than the quoted prices at level 1 and which are observable either directly or indirectly. Interest-bearing bonds that are valued based on prices sourced from trading places, brokers or other entities that publish price information, but where there is no active market because no official prices are available, are categorised as level 2. When using valuation methods, external data are applied to discounted cash flows (e.g. prices quoted by third parties or prices for similar instruments). The discount rate is implicit in the market interest rate with respect to credit and liquidity risk.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Note 21 – Related party transactions

Liabilities to and receivables from Skandiabanken ASA

| In NOK thousand | 31.12.16 | 31.12.15 |
|---|-----------|-----------|
| Liability related to overdraft facility to Skandiabanken ASA | 1 816 398 | 1 853 330 |
| Receivables related to deposits in Skandiabanken ASA | 13 510 | 491 146 |
| Skandiabanken ASAs ownership of covered bonds issued by Skandiabanken Boligkreditt AS | 140 156 | n.a |
| Skandiabanken ASAs ownership of subordinated loan issued by Skandiabanken Boligkreditt AS | 175 000 | n.a |
| Skandiabanken ASAs ownership of additional Tier 1 capital issued by Skandiabanken Boligkreditt AS | 125 000 | n.a |

Transactions with Skandiabanken ASA

| In NOK thousand | 2016 | 05.10.15-31.12.15 |
|---|--------|-------------------|
| Purchase of services in line with service agreement | 5 096 | 1 255 |
| Interest expense on overdraft facility | 35 258 | 10 361 |
| Interest income on deposits | 812 | 156 |
| Interest on covered bonds issued by Skandiabanken Boligkreditt AS | 3 288 | n.a |
| Interest on subordinated loan issued by Skandiabanken Boligkreditt AS | 3 810 | n.a |
| Share of result related to Skandiabanken ASAs ownership of additional Tier 1 capital in Skandiabanken Boligkreditt AS | 4 263 | n.a |

Description of agreements with related parties:

Sale of mortgages to Skandiabanken Boligkreditt:

Skandiabanken ASA sells home loans to its subsidiary, Skandiabanken Boligkreditt. Only loans with a LTV lower than 75% may be sold to Skandiabanken Boligkreditt. The sale and transfer of loans is carried out at market terms and conditions. After the loans have been transferred, Skandiabanken Boligkreditt AS assumes all the risks and benefits associated with the mortgages sold.

Management agreement between Skandiabanken ASA and Skandiabanken Boligkreditt:

A management agreement has been entered into between Skandiabanken ASA and Skandiabanken Boligkreditt, under the terms of which Skandiabanken Boligkreditt purchases administrative services from Skandiabanken ASA. These services relate, inter alia, to the CEO, to Treasury, IT, Finance and Accounting, and Risk Management. The agreement has been entered into at market terms and conditions.

Skandiabanken Boligkreditt's credit facilities:

Skandiabanken ASA has granted an overdraft facility and a revolving credit facility to Skandiabanken Boligkreditt. The overdraft is divided in two credit facilities, each in the amount of NOK 3 billion and with a term of 364 days and three years, respectively. The revolving credit facility equals Skandiabanken Boligkreditt's payment obligations for the next 12 months in respect of issued covered bonds, and with a term extending four months after the last maturity date of issued covered bonds. Both facilities are at floating interest rates, three-month NIBOR plus a margin.

Deposit accounts with Skandiabanken ASA:

Skandiabanken Boligkreditt AS has two ordinary deposit accounts with Skandiabanken ASA with interest at the market rate.

Note 22 – Earnings per share (EPS)

| In NOK | Q4 2016 | 2016 | 05.10.15-31.12.15 |
|--|-------------|-------------|-------------------|
| Profit for the period to other equity (shareholders) | 16 532 000 | 81 328 000 | 20 343 000 |
| Number of shares (weighted average) | 60 030 000 | 60 030 000 | 60 030 000 |
| Earnings per share (basic) | 0.28 | 1.35 | 0.34 |
| Earnings per share (diluted) | 0.28 | 1.35 | 0.34 |

Note 23 – Subsequent events

The Annual General Meeting on 1 February 2017 authorised the Board of Directors to increase the share capital in Skandiabanken Boligkreditt AS. The share capital was increased with NOK 240 120 000 from NOK 60 030 000 to NOK 300 150 000 by increasing the nominal value from NOK 4 to NOK 5 per share. The share capital increase is subject to consent from the Financial Supervisory Authority of Norway.

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that, to the best of our knowledge, the yearly financial statements for the company for the period 1 January through 31 December 2016 have been prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

To the best of our knowledge, the yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the company over the next accounting period
- description of major transactions with related parties.

Bergen, 08 February 2017

The Board of Directors of Skandiabanken ASA



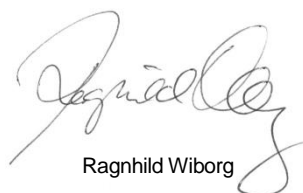
Petter Skouen
(Chairman)



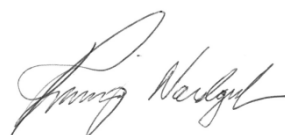
Per Morten Christiansen



Mai-Lill Ibsen



Ragnhild Wiborg



Henning Nordgulen
(CEO)

Contact information

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NORWAY

<https://skandiabanken.no/IR/IR-english/funding-and-rating/funding>

<https://skandiabanken.no/IR/funding-og-rating/funding-no>